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Report of the Trade and Development Board on its thirty-seventh executive session*

Geneva, 26 July 2005

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* The present document is an advance version of the report of the Trade and Development Board on its thirty-seventh executive session, held at the United Nations Office at Geneva on 26 July 2005. It will appear in final form, together with the reports on the thirty-sixth executive session, the twenty-second special session and the fifty-second session of the Board, as *Official Records of the General Assembly, Sixtieth Session, Supplement No. 15* (A/60/15).

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Chapter I

Activities undertaken by the United Nations Conference on Trade and Development in favour of Africa

(Agenda item 2)

1. For its consideration of this item, the Trade and Development Board had before it the following documentation:

> Activities undertaken by UNCTAD in favour of Africa: report by the Secretary-General of UNCTAD (TD/B/EX(37)/2).

General statements

2. The **Special Coordinator for Africa** expressed his satisfaction with the recent international initiatives announced in support of Africa's development, and noted that those were in line with recommendations contained in the previous analyses on Africa undertaken by the United Nations Conference on Trade and Development (UNCTAD). He welcomed the proposed Paris Club treatment of Nigeria's debt, while stressing that there were other poor, debt-distressed African countries that were outside the heavily indebted poor countries (HIPC) framework. While the new Operational Framework for Debt Sustainability recognized some of the weaknesses inherent in the HIPC Initiative, it did not go far enough in giving operational guidelines for attaining the Millennium Development Goals and it relied too much on the Country Policy and Institutional Assessment (CPIA), which had a weak and subjective analytical tool for assessing the likelihood of debt distress. Countries benefiting from the Group of Eight (G8) 100 per cent debt write-off would have an equivalent amount deducted from their International Development Association (IDA) allocations, and would need to go through the CPIA process again in order to qualify for additional loans and grants. Moreover, there was a need for a review and streamlining of conditionality attached to lending and aid, and for greater policy space in the design and implementation of macropolicies. As for good governance, the peer review mechanism launched by the New Partnership for Africa's Development (NEPAD) (A/57/304, annex) was now operational, with 4 countries out of the 24 that had signed up being reviewed. Regional economic cooperation within Africa and with other developing regions, including greater participation in the Global System of Trade Preferences among Developing Countries (GSTP), could enhance trade and economic relations between developing regions. Finally, he presented the secretariat's activities undertaken in support of NEPAD and Africa's development, while inviting suggestions on ways and means to improve them.

3. The representative of the **Democratic Republic of the Congo**, speaking on behalf of the **Group of 77 and China**, drew attention to Africa's improved economic performance in 2004, but noted that it was mainly the result of better weather conditions, increasing fuel and non-fuel commodity prices, more political stability and the enhanced aid and debt relief from abroad. Gross domestic product (GDP) growth of 4.6 per cent remained modest, particularly since it had not fed into job creation. Only six countries had attained the 7 per cent growth target required for achieving the Millennium Development Goals. Four main issues were of significance to Africa's development: debt overhang, aid, trade and development,

and technical cooperation. On debt, he noted the need for comprehensive debt cancellation without conditionalities, including measures to help African countries outside the HIPC framework. The proposal by the G8 leaders that official development assistance (ODA) flows to Africa be doubled would be of great use in launching infrastructural investments. There was a need to improve African intraregional trade, and also South-South trade, in which Asia already played a major role. Promotion of South-South trade and financial integration were essential and African countries were encouraged to participate actively in the GSTP process. Initiatives such as the Tokyo International Conference on African Development, the India-Africa Cooperation and the Asia-Africa Summit held in April 2005 in Jakarta were equally important. Nevertheless, at the international level, there was a need to conclude the Doha Round of multilateral trade negotiations as a truly "developmental round" that accommodated the development interests of poor countries.

4. The representative of **Zimbabwe**, speaking on behalf of the **African Group**, drew attention to the fact that despite some economic progress, most countries had fallen short of the 7 per cent per annum growth rate necessary for attaining the Millennium Development Goals. UNCTAD research and analysis, and technical cooperation, particularly in the areas of NEPAD-specific support, were critical for sustainable economic development in Africa. The African Group welcomed the proposal by G8 leaders for 100 per cent cancellation of the debt owed by 14 African HIPC completion-point countries and the Paris Club negotiations for comprehensive debt treatment for Nigeria as important steps in addressing the issue of debt sustainability. The Group expressed the hope that other poor countries outside the HIPC framework would also soon be considered eligible for similar treatment of their debts. These proposals, together with major increases in ODA flows, the rationalization of Africa's regional economic blocs and an increase in South-South cooperation, would help to strengthen African supply capacities and increase the utilization of existing market access opportunities. Greater macroeconomic policy space within which to design and implement policies consonant with national socio-economic and development priorities was needed. The African Peer Review Mechanism was making progress and the interaction between the New Partnership for Africa's Development and UNCTAD could be strengthened. In this regard, UNCTAD was encouraged to offer greater support to the Organization for Economic Cooperation and Development (OECD)/New Partnership for Africa's Development Investment Initiative to improve the investment climate in African countries so as to promote both domestic and foreign direct investment (FDI). The African Group also saw the need for results-oriented activities within the context of the International Consortium on Infrastructure (African Union/New Partnership for Africa's Development/African Development Bank). Africa's development partners were encouraged to support the African Union/New Partnership for Africa's Development Comprehensive African Agricultural Development Programme in order to increase agricultural productivity as well as to develop rural areas.

5. The representative of the **United Kingdom of Great Britain and Northern Ireland**, speaking on behalf of the **European Union (EU) and the acceding countries, Bulgaria and Romania**, emphasized that UNCTAD activities on least developed countries and Africa must be focused and prioritized, and be allocated the necessary resources from within the secretariat. The developed countries should ensure that development was an absolute priority of the Doha Round. At the fifth

African Union Summit, held in Sirte, Libyan Arab Jamahiriya, in July 2005, African leaders had fully supported the recommendations of the report of the Commission for Africa entitled *Our Common Interest*[1] and had committed themselves to the ownership of Africa's development, including good governance. The commitments from the Gleneagles G8 Summit had built on Africa's own efforts as set out in the New Partnership for Africa's Development and by the African Union, and EU remained committed to supporting the former in fulfilling its potential to further Africa's development. HIPCs, most of which were in Africa, would benefit from full multilateral debt cancellation amounting to 33 billion euros. EU had pledged to increase its ODA to the target figure of 0.7 per cent by 2015, with at least half of this going to sub-Saharan Africa. The European Council had adopted in May 2005 specific proposals for accelerating EU actions in selected areas, namely, governance, interconnection and equity, with a view to effecting the achievement of the Millennium Development Goals. EU proposed to support the implementation of reforms following the recommendations of the African Peer Review Mechanism, and to replenish the peace facility to support Africa's efforts to cope with its conflicts. In addition, it proposed a Europe-Africa partnership on infrastructure to leverage private sector investments, as well as the introduction of a "covenant for equity" as part of the criteria to determine aid allocations.

6. While the commitment of UNCTAD to Africa was not in doubt, it could do still more on Africa and with more focus. The holding of the twelfth session of UNCTAD in Africa would, it was to be hoped, result in the strengthened engagement of UNCTAD with the continent. In terms of UNCTAD activities in favour of Africa, three areas deserved particular emphasis: trade analysis, capacity-building programmes and technical assistance projects, in particular the Integrated Framework (IF) and the Joint Integrated Technical Assistance Programme (JITAP). Of prime importance was helping Africa expand its participation in the world trading system. The secretariat was encouraged to work in close collaboration with the New Partnership for Africa's Development secretariat/Steering Committee, and ensure the coherence of this assistance to meet the short- and long-term needs of recipient countries.

7. The representative of the **Philippines**, speaking on behalf of the **Asian Group**, said that Asia stood in solidarity with Africa in advancing the development agenda. There were encouraging signs regarding Asia-Africa partnership, including FDI flows from Asia to Africa, in the production of some primary commodities and manufactures, destined for local as well as external markets. These investments, however, were only 10 per cent of the total FDI flows to Africa and maximizing Asia-Africa cooperation would entail addressing some of the obstacles to trade, such as high transport costs and weak infrastructure in Africa. Improving Africa's infrastructure was one of the priority areas of the New Partnership for Africa's Development, requiring large amounts of external resources; and the growth of key Asian developing countries had contributed to higher commodity prices. The Global System of Trade Preferences among Developing Countries was an appropriate place for promoting such trade, and there was thus a need for the continuing support of all countries, together with the key role of UNCTAD, to ensure the success of the ongoing third round of negotiations. Greater policy space was necessary for developing countries to enable them to apply an appropriate mix of policy

[1] London, 2005.

instruments. Greater effort was required in order to make the multilateral trading system a true engine of development. Systemic biases in the system needed to be addressed. Market access and entry, trade-distorting subsidies, and standards and regulations impeding exports from developing countries needed solutions, as did weak and volatile commodity prices. The Asian Group welcomed the Gleneagles G8 initiative on aid, but the quality and effectiveness of aid were equally important. Debt relief should be explicitly linked to national development plans and efforts to achieve internationally agreed development goals, including the Millennium Development Goals. UNCTAD, the World Trade Organization and other relevant institutions, with donor support, should provide focused and sustained trade integration and adjustment support to developing countries. The Group welcomed a recent UNCTAD report on a "Trade 'Marshall Plan' for Least Developed Countries", and looked forward to progress in implementing its recommendations.

8. The representative of **Benin**, speaking on behalf of the **least developed countries**, noted that Africa had recently become the subject of much attention, as evidenced by the G8 Summit at Gleneagles and the forthcoming Sixth Ministerial Conference of the World Trade Organization in Hong Kong, Special Administrative Region of China (SAR). Such good intentions had little impact, however, on people's lives, as Africa's share of world trade was only 2 per cent and the continent was likely to be the only region in the world where poverty would be greater in 2015 than it had been in 1990. Structural constraints continued to undermine Africa's competitiveness; and while it was Africa's responsibility to make regional integration the vehicle for accelerated growth, continued support from the international community was required. Despite increases in ODA, a large proportion of which had been in the form of debt relief, it remained well below what would be required by Africa in order to achieve the Millennium Development Goals. The least developed countries welcomed the debt cancellation initiative of the G8 for 18 HIPC countries, 14 of which were in Africa. Also, they recognized the distorting effects of non-tariff and trade barriers, and agricultural subsidies, and underscored the need to move forward in working towards the realization of the development objectives of the Doha Round. Recalling the Sachs report,[2] he indicated that the lack of financial resources was exacerbating the difficult situation in Africa. ODA currently amounted to only 0.22 per cent of donor countries' gross national income (GNI) rather than the promised 0.7 per cent. Participation in trade was more advantageous than just more aid. The LDC Group wanted more resources to be devoted to reinforcing Africa's trade infrastructure and productive capacity. Much more work remained to be done, particularly in areas such as commercial multilateral diplomacy, debt management, investment, productivity and diversification of commodity production and improvements in ports.

9. The representative of the **Libyan Arab Jamahiriya** enumerated the factors responsible for the present socio-economic situation in Africa, ranging from poverty to external debt, and welcomed the G8 proposal for 100 per cent debt cancellation for 14 African countries that had reached the HIPC completion point. He noted that there was a need to consider the plans and mechanisms established for the realization of the Millennium Development Goals; and thanked the G8 for its programmes aimed at promoting foreign investment and mobilizing funds required for development projects in Africa. The New Partnership for Africa's Development

[2] *Investing in Development: A Practical Plan to Achieve the Millennium Development Goals* (London, Earthscan, 2005).

required the support of the international community. The establishment of the African Union would greatly support the development of the continent through increased cooperation and solidarity among its peoples. A number of important decisions had been taken at the Fifth Summit of the African Union.

10. The representative of **Colombia** drew the Board's attention to the need for good governance. The fight against corruption should be a central tool in establishing good relationships between developed and developing countries. While developing countries themselves were responsible for their development, the objectives set for them internationally could be reached only with the support of the international community. The General Assembly, in resolution 59/155 of 20 December 2004, had stated that corruption containment and prevention should be a cooperative effort involving both the international community and national civil society. Developing countries should establish a mechanism that would make it impossible to deal with any transnational firm that had a record of corruption, while developed countries should also take pertinent measures to address the issue. African countries that were not yet part of the Global System of Trade Preferences among Developing Countries should undertake to join it, and thus contribute to the realization of its objectives, especially now that the third round of negotiations had been launched.

11. The representative of **Cuba** acknowledged that Africa was a weak continent, which would never reach its full potential in terms of trade without external support. It had economic, social and development needs that Cuba, as a poor country, could not do much to alleviate, although it had contributed modestly by sending doctors, teachers and other professionals to work in some African countries. Moreover, there was a need for enhanced political space in order to promote the development of countries. The World Trade Organization agreements had been of limited use on the practical side. Cuba believed that there should be more provisions covering special and differential treatment, and more proposals and resolutions in that regard adopted by December 2005. On the issue of trade, there was a need to increase exports and the number of international outlets, which could be met only by reducing restrictions on trade, including non-tariff barriers, quality requirements such as sanitary certifications and other anti-competitive actions. The 100 per cent debt cancellation was important but should be implemented without conditionalities. ODA provided by developed countries should be doubled: this would lead the way to increased multilateral trade, technology transfer and thus improved competitiveness for the whole continent. Limited progress had been made by the Doha Round on issues of interest to Africa, and UNCTAD needed to continue putting forward new ideas for discussion and to be part of the process of reaching international consensus on to how to achieve Africa's development.

12. The representative of **Indonesia** expressed concern about the emerging consensus that the Millennium Development Goals target of reducing world poverty by half by the year 2015 was unlikely to be achieved. In Africa, as in other parts of the world, the debt problem and resource requirements were inextricably linked to the capacity for capital accumulation and growth. Despite the HIPC Initiative and action in the context of the Paris Club, many African countries would continue to suffer from a debt overhang. Therefore, the decision of the G8 Summit to write off all multilateral debt owed by HIPC completion-point countries in Africa was welcome; but for debt relief to be meaningful and effective, a comprehensive strategy was required, including substantial increases in ODA flows and the

realization of a development-oriented international trading system. The ideas of UNCTAD for improving the competitiveness of commodity exporters, ensuring tariff- and quota-free access to developed markets for all least developed countries and creating an "aid for trade" fund that would enable developing countries to upgrade their trade-related infrastructure were appreciated. There was a need for a more effective implementation of Africa-specific initiatives, in particular New Partnership for Africa's Development priority projects, and for the doubling of development assistance to Africa. Finally, the New Asian-African Strategic Partnership, established in April 2005, was an important step towards the realization of the potential for interregional cooperation in all aspects of development, including trade, investment, health and debt problems, and supporting projects and initiatives of the New Partnership for Africa's Development.

13. The representative of the **African Union** praised the continuing commitment and recommendations for debt cancellation and the doubling of ODA of UNCTAD as crucial to the current mainstreaming of those ideas. The African Union noted the importance of capacity-building programmes such as the Joint Integrated Technical Assistance Programme and the Integrated Framework, and called upon UNCTAD to continue to increase its efforts in the delivery of technical assistance for trade facilitation. The African Union also commended and encouraged UNCTAD assistance to African regional economic communities, which were seen as the building blocks of the African Union. The secretariat was encouraged to maintain an independent perspective on issues specific to Africa, as this was vital to the enhancement of prospects for the continent.

14. The representative of the **Economic Commission for Africa (ECA)** expressed appreciation for the cooperation and collaboration that had developed between UNCTAD and ECA in providing and strengthening trade and trade-related capacity-building for African countries. The research conducted by the UNCTAD secretariat had helped to galvanize the international community into undertaking a more critical examination of the challenges faced by Africa. UNCTAD was urged to focus on addressing supply-side constraints, as increasing African countries' productivity and competitiveness remained a daunting challenge requiring the support of the organization. UNCTAD could strengthen efforts to enable African countries to develop and nurture a dynamic private sector, with the aim of fostering entrepreneurship, developing enhanced production techniques and accessing trade information. Assistance provided by UNCTAD to Africa's integration into, and participation in, the multilateral trading system through the intensification of efforts in the delivery of technical assistance was important.

15. The representative of **Japan** said that her Government valued UNCTAD activities in, inter alia, supply-side capacity-building in Africa, South-South trade and investment promotion. Japan appreciated the engagement of UNCTAD in the Integrated Framework and Joint Integrated Technical Assistance Programme capacity-building programmes being conducted in cooperation with other organizations. The preferential measures among developing countries would complement preferential schemes offered by developed countries. Japan had been making an effort to enhance market access for least developed countries, including those in Africa. The experience of Asian countries showed the importance of the private sector and investment; and in this regard, the recommendations contained in the Blue Book project for Kenya, Uganda and the United Republic of Tanzania were appreciated by Japan. Referring to the G8 Summit held at Gleneagles, United

Kingdom, where a new commitment to strengthening aid to Africa had been announced, the representative noted that Japan had stated that it would double the volume of ODA to Africa in the next three years, and had made a commitment to debt cancellations totalling $4.9 billion for African HIPCs. Japan would continue to support Africa's development through the initiatives of the Tokyo International Conference on African Development. UNCTAD, working in a coherent fashion with other bilateral and multilateral organizations, would maximize outcomes within the framework of the limited resources.

Chapter II

Other business

(Agenda item 3)

Certificate of origin of the Generalized System of Preferences

1. The **President** drew attention to the note by the UNCTAD secretariat on the proposed amendments to certificate of origin GSP Form A TD/B/EX(37)/3 and the proposed amendments which took into account the Turkish Generalized System of Preferences (GSP) regime. She proposed that the Trade and Development Board approve the amendments as contained in the document.

Action by the Board

2. The Board approved the proposed amendments to the GSP certificate of origin Form A, as contained in document TD/B/EX(37)/3.

Accreditation of non-State actors to civil society hearings

3. The **President** recalled that the first part of paragraph 117 of the São Paulo Consensus (TD/412, part II) stated that the Trade and Development Board would arrange for half-day informal hearings with non-State actors to allow them to express their views on the issues before the Board. The outcome of the informal hearings would be summarized by the secretariat for submission as an input into the discussions of the Board. Participation would be based on the procedure applied for the participation of civil society and private sector organizations during the preparatory process of UNCTAD. For the eleventh session of UNCTAD, the secretariat had put in place a fast-track accreditation process to allow civil society organizations to participate in the preparatory process and in the eleventh session. She proposed that the Board allow the civil society organizations that had already been accredited for the eleventh session to continue to participate in forthcoming Board hearings for civil society and that future requests for accreditation from civil society organizations should be submitted for consideration by member States using the same procedures as those established for the eleventh session of UNCTAD.

Action by the Board

4. The Board decided to allow the civil society organizations that had already been accredited for the eleventh session of UNCTAD to continue to participate in forthcoming Board hearings for civil society and that future requests for accreditation from civil society organizations would be submitted for consideration by member States using the same procedures as those established for the eleventh session.

Report of the resumed forty-fourth session of the Working Party on the Medium-term Plan and the Programme Budget

5. The representative of the **Philippines**, speaking in his capacity as **Chairperson of the Working Party on the Medium-term Plan and the Programme Budget**, introduced the report of the Working Party on its resumed forty-fourth session (TD/B/WP/183).

6. The **President** proposed that the Board take note of the report and endorse the agreed conclusions contained therein.

Action by the Board

7. The Board took note of the report of the Working Party, as contained in document TD/B/WP/183, and endorsed the agreed conclusions contained therein.

Financing of experts

8. The **President** drew attention to the issue of the financing of experts.

9. The representative of the **Philippines** reported to the Board on the outcome of the consultations regarding the financing of experts. As mandated by the President of the Board and subsequently by the Working Party at its resumed forty-fourth session, he had conducted informal consultations with a view to moving forward on the issue of financing of experts. One approach containing specific elements appeared to be promising. However, technical constraints in the form of United Nations budgetary rules and regulations beyond the control of delegations in Geneva called into question the viability of at least one important element of the approach. He underscored the need to explore this matter further with the involvement of the UNTCAD focal point on financing of experts and suggested that this issue be included in the agenda of the forthcoming regular session of the Board with the objective of deciding how member States wished to proceed with the issue in order to find a solution to that long-standing problem.

10. The **President** recalled, in view of the outcome of the consultations, the agreement reached at the consultations of the President on 20 July 2005, at which it had been proposed that an agenda item on that issue be incorporated into the agenda of the regular session of the Board if a solution could not be found by the Board at its thirty-seventh executive session. She proposed that the issue of the financing of experts be included for consideration by the Board at its fifty-second session under sub-item 9 (d) of the agenda and that the secretariat be requested to prepare a note containing an overview of the constraints, an update on the practices of other organizations as regards recourse to the regular budget to finance the travel and related costs of experts wishing to participate in intergovernmental meetings and, if possible, proposals for the way forward.

Action by the Board

11. The Board decided to add sub-item 9 (d) on the issue of the financing of experts to the agenda of its fifty-second session. Also, it requested the secretariat to prepare a note for that sub-item.

Chapter III

Institutional, organizational, administrative and related matters

Opening of the session

1. The session was opened by the President of the Trade and Development Board.

Adoption of the agenda

2. The Board adopted the provisional agenda as contained in document TD/B/EX(37)/1 (see annex I below).

Bureau

3. The Bureau of the Board was as elected at its fifty-first session. The Bureau was thus as follows:

President:
Mrs. Mary Whelan (Ireland)

Vice-Presidents:
Mr. Iouri Afanassiev (Russian Federation)
Mr. Luciano Barillaro (Italy)
Mr. Doru Romulus Costea (Romania)
Ms. Sarala M. Fernando (Sri Lanka)
Mr. Kiminori Iwama (Japan)
Ms. Melissa J. Kehoe (United States of America)
Mr. Ernesto Martínez Gondra (Argentina)
Mr. Jorge Ivan Mora Godoy (Cuba)
Mr. Love Mtesa (Zambia)
Ms. Preeti Saran (India)

Rapporteur:
Mr. Patrick Krappie (South Africa)

Report of the Board on it thirty-seventh executive session

4. The Board authorized the completion of its report on its thirty-seventh executive session under the authority of the President.

Annex I

Agenda for the thirty-seventh executive session of the Trade and Development Board

1. Adoption of the agenda.
2. Activities undertaken by the United Nations Conference on Trade and Development in favour of Africa.
3. Other business.
4. Report of the Board on its thirty-seventh executive session.

Annex II

Attendance*

1. The following States members of the United Nations Conference on Trade and Development Board, members of the Trade and Development Board, were represented at the session:

Algeria
Angola
Austria
Bahrain
Bangladesh
Belarus
Belgium
Benin
China
Colombia
Côte d'Ivoire
Cuba
Czech Republic
Democratic Republic of the Congo
Dominican Republic
Egypt
Ethiopia
Finland
France
Germany
Ghana
Guinea
Indonesia
Iraq
Ireland
Israel
Italy
Japan
Latvia
Lebanon
Libyan Arab Jamahiriya
Madagascar
Malaysia
Malta
Mauritius
Mexico
Morocco
Netherlands
Norway
Oman
Philippines
Poland
Portugal
Republic of Korea
Russian Federation
Saudi Arabia
Slovakia
Spain
Sweden
Switzerland
United Kingdom of Great Britain and Northern Ireland
United Republic of Tanzania
United States of America
Yemen
Zimbabwe

2. The following other States members of UNCTAD, not members of the Board, were represented as observers at the session:

Holy See
Monaco

3. The following observer was represented at the session:

Palestine

* For the list of participants, see document TD/B/EX(37)/INF.1.

4. The following intergovernmental organizations were represented at the session:

African Union
European Community

5. The following United Nations organization was represented at the session:

Economic Commission for Africa

6. The following non-governmental organizations were represented at the session:

General category

Exchange and Cooperation Centre for Latin America
International Confederation of Free Trade Unions

Special category

International Ocean Institute